

# PERAC AUDIT REPORT



## Chicopee Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2005 / PERAC 05-27



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

JOSEPH E. CONNARTON, *Executive Director*

October 25, 2006

The Public Employee Retirement Administration Commission has completed an examination of the Chicopee Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2003 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There are no significant findings.

We commend the Chicopee Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Robert Madison and Harry Chadwick who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



# Chicopee Retirement System

## **STATEMENT OF LEDGER ASSETS AND LIABILITIES**

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
<b>ASSETS</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	
Cash	\$2,229,430	\$948,473	\$618,633	
Short Term Investments	6,390,887	5,381,848	4,989,182	
Equities	22,315,066	20,672,941	87,375	
Pooled Domestic Equity Funds	40,160,277	37,414,964	51,403,777	
Pooled International Equity Funds	13,990,127	12,329,362	11,982,835	
Pooled Domestic Fixed Income Funds	34,714,857	36,263,582	35,735,156	
Pooled Real Estate Funds	8,526,075	6,174,215	4,996,063	
Interest Due and Accrued	6,474	1,618	648	
Accounts Receivable	476,561	886,931	495,813	
Accounts Payable	(112,865)	(157,450)	(49,120)	
<b>TOTAL</b>	<b><u>\$128,696,890</u></b>	<b><u>\$119,916,483</u></b>	<b><u>\$110,260,361</u></b>	
<b>FUND BALANCES</b>				
Annuity Savings Fund	\$35,238,962	\$32,672,597	\$30,209,481	
Annuity Reserve Fund	11,302,432	11,573,768	11,993,616	
Pension Fund	4,636,554	5,572,634	7,384,991	
Military Service Fund	82,500	32,350	32,157	
Expense Fund	0	0	0	
Pension Reserve Fund	77,436,442	70,065,134	60,640,116	
<b>TOTAL</b>	<b><u>\$128,696,890</u></b>	<b><u>\$119,916,483</u></b>	<b><u>\$110,260,361</u></b>	

## Chicopee Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2003)</b>	\$29,251,626	\$11,032,404	\$8,823,308	\$8,062	\$0	\$42,493,093	<b>\$91,608,492</b>
Receipts	3,496,123	334,798	10,371,509	24,096	621,477	18,147,022	<b>32,995,025</b>
Interfund Transfers	(2,158,431)	2,158,431	0	0	0	0	<b>0</b>
Disbursements	<u>(379,837)</u>	<u>(1,532,017)</u>	<u>(11,809,826)</u>	<u>0</u>	<u>(621,477)</u>	<u>0</u>	<b><u>(14,343,157)</u></b>
<b>Ending Balance (2003)</b>	<b>30,209,481</b>	<b>11,993,616</b>	<b>7,384,991</b>	<b>32,157</b>	<b>0</b>	<b>60,640,116</b>	<b>110,260,361</b>
Receipts	3,807,714	350,866	10,785,908	193	762,969	9,424,115	<b>25,131,764</b>
Interfund Transfers	(851,496)	850,593	0	0	0	903	<b>0</b>
Disbursements	<u>(493,102)</u>	<u>(1,621,307)</u>	<u>(12,598,266)</u>	<u>0</u>	<u>(762,969)</u>	<u>0</u>	<b><u>(15,475,643)</u></b>
<b>Ending Balance (2004)</b>	<b>32,672,597</b>	<b>11,573,768</b>	<b>5,572,634</b>	<b>32,350</b>	<b>0</b>	<b>70,065,134</b>	<b>119,916,483</b>
Receipts	4,033,964	340,640	11,872,936	50,150	1,079,262	7,371,309	<b>24,748,261</b>
Interfund Transfers	(962,375)	965,861	(3,486)	0	0	0	<b>0</b>
Disbursements	<u>(505,223)</u>	<u>(1,577,838)</u>	<u>(12,805,531)</u>	<u>0</u>	<u>(1,079,262)</u>	<u>0</u>	<b><u>(15,967,853)</u></b>
<b>Ending Balance (2005)</b>	<b><u>\$35,238,962</u></b>	<b><u>\$11,302,432</u></b>	<b><u>\$4,636,554</u></b>	<b><u>\$82,500</u></b>	<b><u>\$0</u></b>	<b><u>\$77,436,442</u></b>	<b><u>\$128,696,890</u></b>

# Chicopee Retirement System

## STATEMENT OF INCOME

FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
<b>Annuity Savings Fund:</b>			
Members Deductions	\$3,476,091	\$3,262,910	\$3,025,569
Transfers from other Systems	280,775	259,285	151,777
Member Make Up Payments and Redeposits	43,828	38,922	39,866
Member Payments from Rollovers	42,256	70,457	0
Investment Income Credited to Member Accounts	191,014	176,140	278,911
<b>Sub Total</b>	<b><u>4,033,964</u></b>	<b><u>3,807,714</u></b>	<b><u>3,496,123</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<b><u>340,640</u></b>	<b><u>350,866</u></b>	<b><u>334,798</u></b>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	89,673	84,334	60,454
Received from Commonwealth for COLA and Survivor Benefits	695,178	775,560	841,104
Pension Fund Appropriation	<u>11,088,086</u>	<u>9,926,014</u>	<u>9,469,951</u>
<b>Sub Total</b>	<b><u>11,872,936</u></b>	<b><u>10,785,908</u></b>	<b><u>10,371,509</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	49,649	0	23,777
Investment Income Credited Military Service Fund	<u>501</u>	<u>193</u>	<u>318</u>
<b>Sub Total</b>	<b><u>50,150</u></b>	<b><u>193</u></b>	<b><u>24,096</u></b>
<b>Expense Fund:</b>			
Investment Income Credited to Expense Fund	<u>1,079,262</u>	<u>762,969</u>	<u>621,477</u>
<b>Sub Total</b>	<b><u>1,079,262</u></b>	<b><u>762,969</u></b>	<b><u>621,477</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	68,040	57,071	51,953
Interest Not Refunded	23,307	5,782	6,541
Misc. Income	4,437	809	16,230
Excess Investment Income	<u>7,275,524</u>	<u>9,360,454</u>	<u>18,072,299</u>
<b>Sub Total</b>	<b><u>7,371,309</u></b>	<b><u>9,424,115</u></b>	<b><u>18,147,022</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$24,748,261</u></b>	<b><u>\$25,131,764</u></b>	<b><u>\$32,995,025</u></b>

# Chicopee Retirement System

## STATEMENT OF DISBURSEMENTS

FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005

FOR THE PERIOD ENDING DECEMBER 31,			
	2005	2004	2003
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$252,424	\$337,095	\$274,855
Transfers to other Systems	<u>252,799</u>	<u>156,007</u>	<u>104,982</u>
Sub Total	<u>505,223</u>	<u>493,102</u>	<u>379,837</u>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	1,557,183	1,505,334	1,450,085
Option B Refunds	<u>20,655</u>	<u>115,972</u>	<u>81,932</u>
Sub Total	<u>1,577,838</u>	<u>1,621,307</u>	<u>1,532,017</u>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	8,823,782	8,731,137	8,249,290
Survivorship Payments	669,842	649,085	643,371
Ordinary Disability Payments	158,415	171,889	173,296
Accidental Disability Payments	2,104,734	2,043,662	1,887,790
Accidental Death Payments	758,594	746,861	638,806
Section 101 Benefits	100,580	91,798	94,609
3 (8) (c) Reimbursements to Other Systems	189,584	163,834	122,664
Sub Total	<u>12,805,531</u>	<u>12,598,266</u>	<u>11,809,826</u>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who			
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	15,053	14,659	15,000
Salaries	167,319	184,765	179,766
Legal Expenses	9,028	10,066	6,476
Medical Expenses	20	30	0
Fiduciary Insurance	9,175	9,254	5,238
Service Contracts	10,842	10,325	2,475
Travel Expenses	5,202	6,236	5,687
Administrative Expenses	13,102	13,272	10,144
Furniture and Equipment	994	210	0
Management Fees	771,944	455,205	371,964
Custodial Fees	30,084	13,447	2,226
Consultant Fees	<u>46,500</u>	<u>45,500</u>	<u>22,500</u>
Sub Total	<u>1,079,262</u>	<u>762,969</u>	<u>621,477</u>
<b>TOTAL DISBURSEMENTS</b>	<u><b>\$15,967,853</b></u>	<u><b>\$15,475,643</b></u>	<u><b>\$14,343,157</b></u>

# Chicopee Retirement System

## INVESTMENT INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Investment Income Received From:</b>			
Cash	\$36,274.97	\$8,368.18	\$3,850.19
Short Term Investments	65,452	18,733	13,550
Equities	186,883	163,075	6,000
Pooled or Mutual Funds	2,578,557	2,609,889	2,852,774
<b>TOTAL INVESTMENT INCOME</b>	<b><u>2,867,166</u></b>	<b><u>2,800,066</u></b>	<b><u>2,876,175</u></b>
<b>Plus:</b>			
Realized Gains	4,399,898	5,441,986	2,251,153
Unrealized Gains	13,724,753	13,020,348	22,957,117
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>6,474</u>	<u>1,618</u>	<u>648</u>
<b>Sub Total</b>	<b><u>18,131,125</u></b>	<b><u>18,463,952</u></b>	<b><u>25,208,918</u></b>
<b>Less:</b>			
Realized Loss	(1,574,098)	(1,359,702)	(4,036,110)
Unrealized Loss	(10,535,634)	(9,253,047)	(4,740,717)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(1,618)</u>	<u>(648)</u>	<u>(463)</u>
<b>Sub Total</b>	<b><u>(12,111,350)</u></b>	<b><u>(10,613,397)</u></b>	<b><u>(8,777,290)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>8,886,941</u></b>	<b><u>10,650,621</u></b>	<b><u>19,307,803</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	191,014	176,140	278,911
Annuity Reserve Fund	340,640	350,866	334,798
Military Service Fund	501	193	318
Expense Fund	<u>1,079,262</u>	<u>762,969</u>	<u>621,477</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>1,611,417</u></b>	<b><u>1,290,168</u></b>	<b><u>1,235,504</u></b>
Net Investment Income	<b><u>8,886,941</u></b>	<b><u>10,650,621</u></b>	<b><u>19,307,803</u></b>
Less: Total Income Required	<b><u>1,611,417</u></b>	<b><u>1,290,168</u></b>	<b><u>1,235,504</u></b>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$7,275,524</u></b>	<b><u>\$9,360,453</u></b>	<b><u>\$18,072,299</u></b>



## Chicopee Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE PERIOD ENDING DECEMBER 31, 2005**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$2,229,430	1.74%
Short Term	6,390,887	4.98%
Equities	22,315,066	17.39%
Pooled Domestic Equity Funds	40,160,277	31.30%
Pooled International Equity Funds	13,990,127	10.90%
Pooled Domestic Fixed Income Funds	34,714,857	27.05%
Pooled Real Estate Funds	8,526,075	6.64%
GRAND TOTALS	<u>\$128,326,720</u>	<u>100.00%</u>

For the year ending December 31, 2005, the rate of return for the investments of the Chicopee Retirement System was 7.72%. For the five year period ending December 31, 2005, the rate of return for the investments of the Chicopee Retirement System averaged 4.64%. For the twenty-one year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Chicopee Retirement System was 9.59%.

# **Chicopee Retirement System**

## **SUPPLEMENTARY INVESTMENT REGULATIONS**

### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

The Chicopee Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

March 30, 1989

20.04 (6) Equities of foreign corporations, including American Depositary Receipts, listed on the New York Stock Exchange provided that all such investments are denominated in U.S. currency, and that the total of all such investments shall not exceed 10% of the total book value of equity investments.

20.06 (2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services.

20.06 (4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent.

20.06 (8) Sales of fixed income investments with maturities exceeding one year shall not exceed 150% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07 (6) Sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.

January 30, 1990

20.04 (6) Equities of foreign corporations, including American Depositary Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that all such investments are denominated in U.S. currency, and that the total of all such investments shall not exceed 10% of the total book value of equity investments.

November 27, 1991

20.07 (9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

(a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action; (b) such personnel retain authority in the decision making process, and (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

## **Chicopee Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

December 14, 1995

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

March 21, 1996

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds which shall be limited to 10% of the total fixed income portfolio valued at market.

June 20, 1996

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

April 7, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Chicopee Retirement Board may invest in the Freedom Equity Style Fund. Proceeds will come from a large cap equity value separate account managed by Freedom Capital Management. As long as the Fund maintains its value focus, there is no change in investment strategy or in the universe of securities to be considered. Since the Fund invests in an index rather than in individual securities, this modification affords reduced fees to the System.

June 27, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Chicopee Retirement Board may make a modest modification to its fixed income management mandate with Freedom Capital Management. Under this modification, the manager may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. The Board has had a successful relationship with Freedom Capital as a fixed income manager since 1986 and it is satisfied that the company has sufficient capability in the high-yield market to accomplish the modified mandate.

## **Chicopee Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

December 27, 2000

16.08 The Chicopee Retirement System may modify its investment with Freedom Capital Management in accordance with Investment Guideline 99-2. In order to achieve cost savings deriving from economies of scale, the System's Core Plus Fixed Income and Large Cap Value mandates with Freedom Capital will change from separately managed accounts to participation in commingled funds.

April 1, 2004

16.08 In accordance with PERAC Investment Guideline 99-2, the Chicopee Retirement Board is authorized to modify its large cap equity mandate with Freedom Capital Management. The Board currently uses Freedom Capital for active value and "equity style" products and, as part of a portfolio rebalancing program, will begin investing in Freedom's "style weighted concentrated Fund". This fund is managed by the same portfolio management team, invests in the same large cap universe, and has the same benchmark as the "style " fund.

January 31, 2005

The Chicopee Retirement System's self-imposed restrictions on Board's percentage of holdings in specific asset classes have been rescinded.

# **Chicopee Retirement System**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

#### **NOTE I - THE SYSTEM**

The plan is a contributory defined benefit plan covering all Chicopee Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

# **Chicopee Retirement System**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## Chicopee Retirement System

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The Chicopee Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 4, 1998

- I. Requirements for membership
  - A. A permanent full time employee of any member unit of the Chicopee Contributory Retirement System shall become a member of the Chicopee Contributory Retirement System on the first day of employment.

# **Chicopee Retirement System**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

- B. A part time permanent employee who normally works more than twenty hours per week shall become a member of the Chicopee Contributory Retirement System on the first day of employment.
- C. Temporary employees shall be ineligible for membership, however, upon becoming permanent, the employee shall have the option of purchasing prior service.
- D. Elected officials shall continue to have the option of joining the Chicopee Contributory Retirement System in accordance with General Laws, Chapter 32, section 3(2)(a)(iv).

#### **II. Creditable Service**

- A. Full time employees will receive one (1) year of creditable service provided they work the hours required by their position. Part time employees whose position have always been part time shall be granted full creditable service. Part time employees who become full time shall have their part time service prorated as it relates to a full time position.

#### **III. Buyback of Creditable Service**

- A. For any employee who is not a member of the Chicopee Contributory Retirement System on the first date of employment that employee, upon becoming a member, shall be allowed to buy back their service as a non-member regardless if the employee made contributions to deferred compensation.

April 22, 1999

Seasonal employees who work more than 20 hours per week for five months or more on a regular basis shall become members of the Chicopee Contributory Retirement System upon reaching eligibility.

March 11, 2003

PERAC approved the Chicopee Retirement Board's authorization for travel and travel related expenditures.

July 25, 2005

Full time employees who become part time shall have their service prorated as it relates to a full time position. If these employees work over twenty hours per week after switching from full time to part time, then these employees shall receive one year of creditable service provided they work all the hours required by their position.



## **Chicopee Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement consisting of the City Auditor who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Sharyn Riley

Appointed Member: Debra A. Boronski                      Term Expires: Indefinite

Elected Member: Timothy O. O'Shea                      Term Expires: 6/30/07

Elected Member: James R. Montcalm                      Term Expires: 12/18/08

Appointed Member: Maxwell S. Mackechnie                      Term Expires: 1/6/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$50,000,000 Fiduciary Insurance
Elected Member:	)	\$ 1,000,000 Fidelity (ERISA) Bond
Appointed Member:	)	AMITY Insurance Agency
Staff Employee:	)	

# Chicopee Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by PERAC as of January 1, 2004.

The actuarial liability for active members was	\$84,776,253
The actuarial liability for vested terminated members was	1,101,462
The actuarial liability for non-vested terminated members was	223,135
The actuarial liability for retired members was	116,747,001
The total actuarial liability was	<b>202,847,851</b>
System assets as of that date were (actuarial value)	118,606,924
The unfunded actuarial liability was	<b><u>\$84,240,927</u></b>
 The ratio of system's assets to total actuarial liability was	 58.5%
As of that date the total covered employee payroll was	\$36,506,298

The normal cost for employees on that date was 8.1% of payroll

The normal cost for the employer was 6.8% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum  
**Rate of Salary Increase:** varies by job group and service

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2004	\$118,606,924	\$202,847,851	\$84,240,927	58.5%	\$36,506,298	230.8%
1/1/2002	\$112,638,610	\$184,479,949	\$71,841,339	61.1%	\$36,719,366	195.6%
1/1/2000	\$108,558,703	\$162,016,497	\$53,457,794	67.0%	\$33,195,832	161.0%

# Chicopee Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Superannuation	27	31	25	25	22	21	46	23	17	23
Ordinary Disability	0	0	1	0	0	0	1	0	0	0
Accidental Disability	2	1	2	3	5	4	0	2	5	2
Total Retirements	<b>29</b>	<b>32</b>	<b>28</b>	<b>28</b>	<b>27</b>	<b>25</b>	<b>47</b>	<b>25</b>	<b>22</b>	<b>25</b>
Total Retirees, Beneficiaries and Survivors	820	832	839	845	843	843	864	852	853	852
Total Active Members	1,175	1,214	1,238	1,204	1,213	1,213	1,178	1,182	1,179	1,182
<b>Pension Payments</b>										
Superannuation	\$5,630,426	\$6,125,308	\$6,085,894	\$6,491,165	\$6,756,835	\$7,033,385	\$7,619,618	\$8,249,290	\$8,731,137	\$8,823,782
Survivor/Beneficiary Payments	458,075	478,754	519,657	520,207	579,196	604,518	666,683	643,371	649,085	669,842
Ordinary Disability	164,592	167,934	169,453	158,664	156,568	149,296	160,591	173,296	171,889	158,415
Accidental Disability	1,477,800	1,582,946	1,563,280	1,626,168	1,651,196	1,836,300	1,777,609	1,887,790	2,043,662	2,104,734
Other	<u>566,577</u>	<u>610,069</u>	<u>630,864</u>	<u>613,937</u>	<u>690,548</u>	<u>722,498</u>	<u>785,033</u>	<u>856,079</u>	<u>1,002,493</u>	<u>1,048,757</u>
Total Payments for Year	<b><u>\$8,297,470</u></b>	<b><u>\$8,965,011</u></b>	<b><u>\$8,969,148</u></b>	<b><u>\$9,410,141</u></b>	<b><u>\$9,834,343</u></b>	<b><u>\$10,345,997</u></b>	<b><u>\$11,009,534</u></b>	<b><u>\$11,809,826</u></b>	<b><u>\$12,598,266</u></b>	<b><u>\$12,805,531</u></b>

PERAC

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